
Case Studies

NOTES FOR COMPLETING CASE STUDIES

This section contains four case studies that show how the independent and dependent student formulas work, including both regular and simplified calculations. Each case study gives basic information about a family's financial situation. The notes to each case and the completed worksheet show how the EFC is calculated from that information.

Each case study provides enough information to calculate the EFC, including the state of residence to be used for the state tax allowance. If something is not explicitly mentioned (such as whether the family has untaxed income), you may assume that the family has nothing to report in that area. However, as in real life, some of the case studies contain information that will not be used in the calculation.

Note that some of the items on the worksheets, such as 1997 income and U.S. income tax paid, are taken directly from the line items on the FAFSA/Student Aid Report (SAR). Other items on the worksheets must be calculated by using one of the Tables.

When completing the case studies, there are two key steps worth remembering:

- ❖ Always check to see if the family is eligible for the employment expense allowance.
- ❖ Use the standard rule for rounding to the nearest dollar: that is, round down for \$.49 or less, and round up for \$.50 or more. (The processing system calculates decimals to 3 places before rounding.)

Case Study 1 - Tony (Wyoming)

Tony, age 21, is attending a local college and lives at home with his parents and a younger brother, who also attends college. The parents' adjusted gross income in 1997 was \$49,700. His father, age 46, earned \$46,100; his mother, age 45, is retired on disability and received \$6,200 in Social Security benefits in 1997, of which \$3,100 was taxable income (included in their adjusted gross income) and \$3,100 was untaxed income. His parents also received \$500 in 1997 from interest earned on their savings account; the balance of the account was \$10,000 on the day they signed Tony's FAFSA. They own their home, which is valued at \$90,000; the amount outstanding on their mortgage is \$70,000. Tony earned \$2,500 in 1997 and has \$600 in his own savings and checking account; he filed an IRS Form 1040EZ and paid no income tax.

Tony's parents filed an IRS Form 1040A for 1997 and claimed Tony and his brother as exemptions; they paid \$7,100 in U.S. income taxes.

NOTES TO CASE STUDY 1 - TONY

- ❖ Because Tony is not yet 24 and does not meet any of the other independent student criteria, he is considered to be a dependent student.
- ❖ The simplified worksheet is used to calculate Tony's primary EFC because his family met the criteria for the simplified formula: 1) Tony filed an IRS Form 1040EZ, 2) his parents filed an IRS Form 1040A (neither parent filed a Form 1040), and 3) his parent's income (\$49,700) is \$49,999 or less. The regular full-data worksheet is used to calculate Tony's secondary EFC, because his school requires every applicant to fill out the full-data application form.
- ❖ When Tony's parents calculated their adjusted gross income (AGI), the IRS Form 1040A instructions required them to fill out a Social Security benefits worksheet in the 1040A instructions to determine if any of his mother's benefits were taxable income. Fifty percent of her benefits were taxable income and were included in the parents' AGI; Tony reported the other 50 percent of her benefits as nontaxable income on his FAFSA.
- ❖ Tony's parents' 1997 AGI is \$49,700, which includes his father's earned income of \$46,100, his mother's taxable Social Security benefits of \$3,100, and \$500 interest earned on their savings account.
- ❖ The "state and other tax allowance" against parents' income is 2 percent for Wyoming when the parents' total income is \$15,000 or more (see Table A1, page 35). The "state and other tax allowance" against the student's own income is zero percent for Wyoming (see Table A7, page 38).

1998-99 EFC FORMULA A: DEPENDENT STUDENT

SIMPLIFIED
WORKSHEET
Page 1

A

PARENTS' INCOME IN 1997	
1. Parents' Adjusted Gross Income (FAFSA/SAR #65)	49,700
2. a. Father's income earned from work (FAFSA/SAR #67)	46,100
2. b. Mother's income earned from work (FAFSA/SAR #68)	+ 0
Total parents' income earned from work = 2.	46,100
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) *	49,700
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #68)	
• Social Security benefits (FAFSA/SAR #70)	+ 3,100
• AFDC/ADC (FAFSA/SAR #71)	+
• Child support received (FAFSA/SAR #72)	+
• Other untaxed income (FAFSA/SAR #73)	+
Total untaxed income and benefits = 4.	3,100
5. Taxable and untaxed income (sum of line 3 and line 4)	52,800
6. Exclusions (FAFSA/SAR #74)	- 0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	= 52,800

ALLOWANCES AGAINST PARENTS' INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	7,100
9. State and other tax allowance (Table A1. If negative, enter zero.)	+ 1,056
10. Father's Social Security tax (Table A2)	+ 3,527
11. Mother's Social Security tax (Table A2)	+ 0
12. Income protection allowance (Table A3)	+ 16,450
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or \$2,800, whichever is less.	
• One parent families: 35% of earned income, or \$2,800, whichever is less	
• Two-parent families, one working parent: zero +	
14. TOTAL ALLOWANCES	= 28,133

AVAILABLE INCOME	
Total income (from line 7)	52,800
Total allowances (from line 14)	- 28,133
15. AVAILABLE INCOME (AI) May be a negative number.	= 24,667

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings, & checking (FAFSA/SAR #83)	
17. Other real estate & investments value ** (FAFSA/SAR #84)	
Other real estate & investments debt ** (FAFSA/SAR #85)	-
Net worth of real estate & investments If negative, enter zero.	= 17.
18. Business value ** (FAFSA/SAR #86)	
Business debt ** (FAFSA/SAR #87)	-
Net worth of business If negative, enter zero	= 18.
19. Investment farm value ** (FAFSA/SAR #88)	
Investment farm debt ** (FAFSA/SAR #89)	-
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.
20. Net worth of business/farm (sum of lines 18 and 19)	20.
21. Adjusted net worth of business/farm (Calculate using Table A4.)	+
22. Net worth (sum of lines 16, 17, and 21)	=
23. Education savings and asset protection allowance (Table A5)	-
24. Discretionary net worth (line 22 minus line 23)	=
25. Asset conversion rate	X .12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=

PARENTS' CONTRIBUTION	
Available income (AI) (from line 15)	24,667
Contribution from assets (from line 26)	+
27. Adjusted available income (AAI) May be a negative number.	= 24,667
28. Total parents' contribution from AAI (Calculate using Table A6; if negative, enter zero.)	7,260
29. Number in college in 1998-99 (FAFSA/SAR #50)	÷ 2
30. PARENTS' CONTRIBUTION (standard contribution for 9-month enrollment)	3,630

** Do not include the family's home.

* STOP HERE if both of the following are true: line 3 is \$12,000 or less, and the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040), or they are not required to file any income tax return—the student's EFC is zero.

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STUDENT'S INCOME IN 1997

31. Adjusted Gross Income (FAFSA/SAR #53)	2,500
32. Income earned from work (FAFSA/SAR #55)	2,500
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	2,500
34. Untaxed income and benefits:	
• Social Security benefits (FAFSA/SAR #58)	
• Other untaxed income (FAFSA/SAR #61) +	
Total untaxed income and benefits = 34.	0
35. Taxable and untaxed income (sum of line 33 and line 34)	2,500
36. Exclusions (FAFSA/SAR #62) -	0
37. TOTAL INCOME (line 35 minus line 36) May be a negative number. =	2,500

ALLOWANCES AGAINST STUDENT INCOME

38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	0
39. State and other tax allowance (Table A7. If negative, enter zero.) +	0
40. Social Security tax allowance (Table A2) +	153
41. Income protection allowance +	2,200
42. TOTAL ALLOWANCES =	2,353

Total income (from line 37)	2,500
Total allowances (from line 42) -	2,353
43. Available income (AI) =	147
44. Assessment of AI X	.50
45. STUDENT CONTRIBUTION FROM AI = If negative, enter zero.	74

STUDENT CONTRIBUTION FROM ASSETS

46. Cash, savings, & checking (FAFSA/SAR #75)	
47. Other real estate & investments value * (FAFSA/SAR #76)	
Other real estate & investments debt * (FAFSA/SAR #77) -	
Net worth of real estate & investments If negative, enter zero. = 47.	
48. Business value * (FAFSA/SAR #78)	
Business debt * (FAFSA/SAR #79) -	
Net worth of business If negative, enter zero. = 48.	
49. Investment farm value * (FAFSA/SAR #80)	
Investment farm debt * (FAFSA/SAR #81) -	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 49.	
50. Net worth (sum of lines 46 through 49) =	
51. Assessment rate X	.35
52. CONTRIBUTION FROM ASSETS =	

EXPECTED FAMILY CONTRIBUTION

PARENTS' CONTRIBUTION (from line 30)	3,630
STUDENT CONTRIBUTION FROM AI (from line 45) +	74
STUDENT CONTRIBUTION FROM ASSETS (from line 52) +	
53. EXPECTED FAMILY CONTRIBUTION =	3,704

* Do not include the student's home.

PARENTS' INCOME IN 1997	
1. Parents' Adjusted Gross Income (FAFSA/SAR #65)	49,700
2. a. Father's income earned from work (FAFSA/SAR #67)	46,100
2. b. Mother's income earned from work (FAFSA/SAR #68)	0
Total parents' income earned from work = 2.	46,100
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) *	49,700
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #69)	
• Social Security benefits (FAFSA/SAR #70)	3,100
• AFDC/ADC (FAFSA/SAR #71)	
• Child support received (FAFSA/SAR #72)	
• Other untaxed income (FAFSA/SAR #73)	
Total untaxed income and benefits = 4.	3,100
5. Taxable and untaxed income (sum of line 3 and line 4)	52,800
6. Exclusions (FAFSA/SAR #74)	0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	52,800

ALLOWANCES AGAINST PARENTS' INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	7,100
9. State and other tax allowance (Table A1. If negative, enter zero.)	1,056
10. Father's Social Security tax (Table A2)	3,527
11. Mother's Social Security tax (Table A2)	0
12. Income protection allowance (Table A3)	16,450
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or \$2,800, whichever is less.	
• One parent families: 35% of earned income, or \$2,800, whichever is less	
• Two-parent families, one working parent: zero	
14. TOTAL ALLOWANCES	28,133

AVAILABLE INCOME	
Total income (from line 7)	52,800
Total allowances (from line 14)	28,133
15. AVAILABLE INCOME (AI) May be a negative number.	24,667

* STOP HERE if both of the following are true: line 3 is \$12,000 or less, and the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040), or they are not required to file any income tax return—the student's EFC is zero.

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings, & checking (FAFSA/SAR #83)	10,000
17. Other real estate & investments value ** (FAFSA/SAR #84)	
Other real estate & investments debt ** (FAFSA/SAR #85)	
Net worth of real estate & investments If negative, enter zero.	0
18. Business value ** (FAFSA/SAR #86)	
Business debt ** (FAFSA/SAR #87)	
Net worth of business If negative, enter zero	
19. Investment farm value ** (FAFSA/SAR #88)	
Investment farm debt ** (FAFSA/SAR #89)	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	
20. Net worth of business/farm (sum of lines 18 and 19)	
21. Adjusted net worth of business/farm (Calculate using Table A4.)	0
22. Net worth (sum of lines 16, 17, and 21)	10,000
23. Education savings and asset protection allowance (Table A5)	42,300
24. Discretionary net worth (line 22 minus line 23)	-32,300
25. Asset conversion rate	.12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	0

PARENTS' CONTRIBUTION	
Available income (AI) (from line 15)	24,667
Contribution from assets (from line 26)	0
27. Adjusted available income (AAI) May be a negative number.	24,667
28. Total parents' contribution from AAI (Calculate using Table A6; if negative, enter zero.)	7,260
29. Number in college in 1998-99 (FAFSA/SAR #50)	2
30. PARENTS' CONTRIBUTION (standard contribution for 9-month enrollment)	3,630

** Do not include the family's home.

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STUDENT'S INCOME IN 1997

31. Adjusted Gross Income (FAFSA/SAR #53)	2,500
32. Income earned from work (FAFSA/SAR #55)	2,500
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	2,500
34. Untaxed income and benefits:	
• Social Security benefits (FAFSA/SAR #58)	
• Other untaxed income (FAFSA/SAR #61)	
Total untaxed income and benefits = 34.	0
35. Taxable and untaxed income (sum of line 33 and line 34)	2,500
36. Exclusions (FAFSA/SAR #62)	0
37. TOTAL INCOME (line 35 minus line 36) May be a negative number.	2,500

ALLOWANCES AGAINST STUDENT INCOME

38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	0
39. State and other tax allowance (Table A7. If negative, enter zero.)	0
40. Social Security tax allowance (Table A2)	153
41. Income protection allowance	2,200
42. TOTAL ALLOWANCES	2,353

Total income (from line 37)	2,500
Total allowances (from line 42)	2,353
43. Available income (AI)	147
44. Assessment of AI	.50
45. STUDENT CONTRIBUTION FROM AI If negative, enter zero.	74

STUDENT CONTRIBUTION FROM ASSETS

46. Cash, savings, & checking (FAFSA/SAR #75)	600
47. Other real estate & investments value * (FAFSA/SAR #76)	
Other real estate & investments debt * (FAFSA/SAR #77)	
Net worth of real estate & investments If negative, enter zero.	0
48. Business value * (FAFSA/SAR #78)	
Business debt * (FAFSA/SAR #79)	
Net worth of business If negative, enter zero	0
49. Investment farm value * (FAFSA/SAR #80)	
Investment farm debt * (FAFSA/SAR #81)	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	0
50. Net worth (sum of lines 46 through 49)	600
51. Assessment rate	.35
52. CONTRIBUTION FROM ASSETS	210

EXPECTED FAMILY CONTRIBUTION

PARENTS' CONTRIBUTION (from line 30)	3,630
STUDENT CONTRIBUTION FROM AI (from line 45)	74
STUDENT CONTRIBUTION FROM ASSETS (from line 52)	210
53. EXPECTED FAMILY CONTRIBUTION	3,914

* Do not include the student's home.

CASE STUDY 2 - MEGHAN (NORTH CAROLINA)

Meghan, age 31, will attend college full time in 1998-99. Her taxable income in 1997 was \$12,500; she also received a Federal Pell Grant of \$1,200 and \$1,000 from a Federal Perkins Loan while enrolled in college in 1997. Meghan filed an IRS Form 1040A and paid \$1,050 in U.S. income taxes. She has \$500 in a savings and checking account. She is not married and has no dependents.

NOTES TO CASE STUDY 2 - MEGHAN

- ❖ Meghan is considered an independent applicant because she is over 24 years old.
- ❖ The simplified worksheet is used to calculate Meghan's primary EFC because she met the criteria for the simplified formula—she filed an IRS Form 1040A (did not file a Form 1040), and her income (\$12,500) is \$49,999 or less. Her school requires all applicants to fill out the full-data application; therefore, she will also receive a secondary EFC from the regular formula. Although the regular formula includes assets, the EFC calculated from the regular formula is the same as that from the simplified formula in her case because the asset protection allowance (\$9,800 in Table B4, page 45) exceeds the value of her net assets (\$500), giving a “discretionary net worth” of less than zero, which is set to zero.
- ❖ The EFC formulas do not include Federal Pell Grants or Federal Perkins Loans. The instructions for the FAFSA told Meghan to exclude those types of student aid when reporting her income and taxes on the application.
- ❖ The “state and other tax allowance” for North Carolina is 5 percent of a student's total income (see Table B1, page 43).

1998-99 EFC FORMULA **B** : INDEPENDENT STUDENT Without Dependent(s) Other Than A Spouse

SIMPLIFIED
WORKSHEET

B

STUDENT/SPOUSE INCOME IN 1997	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	12,500
2. a. Student's income earned from work (FAFSA/SAR #55)	12,500
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+
Total student/spouse income earned from work = 2.	12,500
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	12,500
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	
• Social Security benefits (FAFSA/SAR #58)	
• Other untaxed income (FAFSA/SAR #61)	+
Total untaxed income and benefits = 4.	0
5. Taxable and untaxed income (sum of line 3 and line 4)	12,500
6. Exclusions (FAFSA/SAR #62)	- 0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	= 12,500

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	1,050
9. State and other tax allowance (Table B1. If negative, enter zero.)	+ 625
10. Student's Social Security tax (Table B2)	+ 956
11. Spouse's Social Security tax (Table B2)	+
12. Income protection allowance:	
• \$4,250 for unmarried student;	
• \$4,250 for married student if both student & spouse are enrolled at least 1/2 time;	
• \$7,250 for married student if only the student is enrolled at least 1/2 time.	+ 4,250
13. Employment expense allowance:	
• If student is not married, allowance is zero.	
• If student is married but only one person is working (the student or spouse), the allowance is zero.	
• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or \$2,800, whichever is less.	+ 0
14. TOTAL ALLOWANCES	= 6,881

CONTRIBUTION FROM AVAILABLE INCOME	
Total income (from line 7)	12,500
Total allowances (from line 14)	- 6,881
15. AVAILABLE INCOME (AI)	= 5,619
16. Assessment rate	X .50
17. CONTRIBUTION FROM AI May be a negative number.	= 2,810

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS	
18. Cash, savings, & checking (FAFSA/SAR #75)	
19. Other real estate & investments value * (FAFSA/SAR #76)	
Other real estate & investments debt * (FAFSA/SAR #77)	-
Net worth of real estate & investments If negative, enter zero.	= 19.
20. Business value * (FAFSA/SAR #78)	
Business debt * (FAFSA/SAR #79)	
Net worth of business If negative, enter zero	= 20.
21. Investment farm value * (FAFSA/SAR #80)	
Investment farm debt * (FAFSA/SAR #81)	-
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 21.
22. Net worth of business/farm (sum of lines 20 and 21)	
23. Adjusted net worth of business/farm (Calculate using Table B3.)	
24. Net worth (sum of lines 18, 19, and 23)	=
25. Asset protection allowance (Table B4)	-
26. Discretionary net worth (line 24 minus line 25)	=
27. Asset conversion rate	X .35
28. CONTRIBUTION FROM ASSETS If negative, enter zero.	=

EXPECTED FAMILY CONTRIBUTION	
Contribution from AI (from line 17) May be a negative number.	2,810
Contribution from assets (from line 28)	+
29. Contribution from AI and assets	= 2,810
30. Number in college in 1998-99 (FAFSA/SAR #45)	÷ 1
31. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (if negative, enter zero) **	= 2,810

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

1998-99 EFC FORMULA B : INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

REGULAR
WORKSHEET

B

STUDENT/SPOUSE INCOME IN 1997	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	12,500
2. a. Student's income earned from work (FAFSA/SAR #55)	12,500
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+
Total student/spouse income earned from work = 2.	12,500
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	12,500
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	
• Social Security benefits (FAFSA/SAR #58)	
• Other untaxed income (FAFSA/SAR #61)	+
Total untaxed income and benefits = 4.	0
5. Taxable and untaxed income (sum of line 3 and line 4)	12,500
6. Exclusions (FAFSA/SAR #62)	-
6.	0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	= 12,500

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	1,050
9. State and other tax allowance (Table B1. If negative, enter zero.)	+ 625
10. Student's Social Security tax (Table B2)	+ 956
11. Spouse's Social Security tax (Table B2)	+
12. Income protection allowance:	
• \$4,250 for unmarried student;	
• \$4,250 for married student if both student & spouse are enrolled at least 1/2 time;	
• \$7,250 for married student if only the student is enrolled at least 1/2 time.	+ 4,250
13. Employment expense allowance:	
• If student is not married, allowance is zero.	
• If student is married but only one person is working (the student or spouse), the allowance is zero.	
• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or \$2,800, whichever is less.	+ 0
14. TOTAL ALLOWANCES	= 6,881

CONTRIBUTION FROM AVAILABLE INCOME	
Total income (from line 7)	12,500
Total allowances (from line 14)	- 6,881
15. AVAILABLE INCOME (AI)	= 5,619
16. Assessment rate	X .50
17. CONTRIBUTION FROM AI May be a negative number.	= 2,810

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS	
18. Cash, savings, & checking (FAFSA/SAR #75)	500
19. Other real estate & investments value * (FAFSA/SAR #76)	
Other real estate & investments debt * (FAFSA/SAR #77)	-
Net worth of real estate & investments If negative, enter zero.	= 19. 0
20. Business value * (FAFSA/SAR #78)	
Business debt * (FAFSA/SAR #79)	
Net worth of business If negative, enter zero.	= 20.
21. Investment farm value * (FAFSA/SAR #80)	
Investment farm debt * (FAFSA/SAR #81)	-
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 21.
22. Net worth of business/farm (sum of lines 20 and 21)	
23. Adjusted net worth of business/farm (Calculate using Table B3.)	
24. Net worth (sum of lines 18, 19, and 23)	= 500
25. Asset protection allowance (Table B4)	- 9,800
26. Discretionary net worth (line 24 minus line 25)	= -9,300
27. Asset conversion rate	X .35
28. CONTRIBUTION FROM ASSETS If negative, enter zero.	= 0

EXPECTED FAMILY CONTRIBUTION	
Contribution from AI (from line 17) May be a negative number.	2,810
Contribution from assets (from line 28)	+ 0
29. Contribution from AI and assets	= 2,810
30. Number in college in 1998-99 (FAFSA/SAR #45)	÷
31. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (if negative, enter zero) **	= 2,810

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

CASE STUDY 3 - NICHOLAUS (NEW JERSEY)

Nicholaus, a graduate student enrolled in law school, is 31 years old, is married and has two children. He worked part time as a legal assistant in 1997 and earned \$8,000. His wife is employed full-time as a high school science teacher and earned \$35,000 in 1997. They also received interest income of \$100 in 1997 from a savings and checking account; the balance in the account was \$2,500 on the day they signed Nicholas's FAFSA. They filed an IRS Form 1040A for 1997 and paid \$5,400 in U.S. income taxes.

NOTES TO CASE STUDY 3 - NICHOLAUS

- ❖ Nicholas meets three criteria for independent status, any one of which would qualify him as an independent applicant: (1) he is over 24 years old, (2) he is married, and (3) he has legal dependents other than his spouse.
- ❖ He qualifies for the simplified formula because he and his spouse filed an IRS Form 1040A (did not file a Form 1040), and the family's 1997 income (\$43,100) did not exceed the \$49,999 limit.
- ❖ The "state and other tax allowance" for New Jersey is 7 percent when the total income of student and spouse is \$15,000 or more (see Table C1, page 51).

1998-99 EFC FORMULA **C** : INDEPENDENT STUDENT With Dependent(s) Other Than A Spouse

SIMPLIFIED
WORKSHEET

C

STUDENT/SPOUSE INCOME IN 1997	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	43,100
2. a. Student's income earned from work (FAFSA/SAR #55)	8,000
2. b. Spouse's income earned from work (FAFSA/SAR #56)	35,000
Total student/spouse income earned from work = 2.	43,000
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	43,100
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	
• Social Security benefits (FAFSA/SAR #58)	+
• AFDC/ADC (FAFSA/SAR #59)	+
• Child support received (FAFSA/SAR #60)	+
• Other untaxed income (FAFSA/SAR #61)	+
Total untaxed income and benefits = 4.	0
5. Taxable and untaxed income (sum of line 3 and line 4)	43,100
6. Exclusions (FAFSA/SAR #62)	- 0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	= 43,100

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.	5,400
9. State and other tax allowance (Table C1. If negative, enter zero.)	+ 3,017
10. Student's Social Security tax (Table C2)	+ 612
11. Spouse's Social Security tax (Table C2)	+ 2,678
12. Income protection allowance (Table C3)	+ 18,510
13. Employment expense allowance:	
• Student and spouse both working: 35% of the lesser of the earned incomes, or \$2,800, whichever is less.	
• One-parent families: 35% of earned income, or \$2,800, whichever is less)	
• Student or spouse working (not both): zero	+ 2,800
14. TOTAL ALLOWANCES	= 33,017

AVAILABLE INCOME	
Total income (from line 7)	43,100
Total allowances (from line 14)	- 33,017
15. AVAILABLE INCOME (AI) May be a negative number.	= 10,083

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS	
16. Cash, savings, & checking (FAFSA/SAR #75)	
17. Other real estate & investments value ** (FAFSA/SAR #76)	
Other real estate & investments debt ** (FAFSA/SAR #77)	-
Net worth of real estate & investments If negative, enter zero.	= 17.
18. Business value ** (FAFSA/SAR #78)	
Business debt ** (FAFSA/SAR #79)	-
Net worth of business If negative, enter zero	= 18.
19. Investment farm value ** (FAFSA/SAR #80)	
Investment farm debt ** (FAFSA/SAR #81)	-
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.
20. Net worth of business/farm (sum of lines 18 and 19)	
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+
22. Net worth (sum of lines 16, 17, and 21)	=
23. Asset protection allowance (Table C5)	-
24. Discretionary net worth (line 22 minus line 23)	=
25. Asset conversion rate	X .12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=

EXPECTED FAMILY CONTRIBUTION	
Available income (AI) (from line 15)	10,083
Contribution from assets (from line 26)	+
27. Adjusted available income (AAI) May be a negative number	= 10,083
28. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.)	2,218
29. Number in college in 1998-99 (FAFSA/SAR #45)	÷ 1
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	= 2,218

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

* STOP HERE if both of the following are true: line 3 is \$12,000 or less, and the student & spouse are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040, or they are not required to file any income tax return)—the student's EFC is zero.

CASE STUDY 4 - ANDREA (CALIFORNIA)

Andrea, age 28, and her husband, Barney, have two children. She is enrolled as a full-time college student; Barney is employed full time as assistant manager of an electronics firm. Andrea earned \$5,000 in 1997 working part time 20 hours a week. Barney's 1997 income was \$45,000. They also received interest income of \$150 in 1997 from a savings and checking account; the balance in the account was \$3,000 on the day they signed Andrea's FAFSA. They paid \$4,600 in U.S. income taxes for 1997 and filed an IRS Form 1040.

NOTES TO CASE STUDY 4 - ANDREA

- ❖ Andrea meets three criteria for independent status, any one of which would qualify her as an independent applicant: (1) she is over 24 years old, (2) she is married, and (3) she has legal dependents other than her spouse.
- ❖ The regular worksheet is used to calculate Andrea's EFC. The simplified formula could not be used because the family's total 1997 income (\$50,150) exceeded the \$49,999 maximum and because she and Barney were required to file an IRS Form 1040.
- ❖ The "state and other tax allowance" for California is 7 percent (Table C1, page 51), as the family's total 1997 income is over \$15,000.

1998-99 EFC FORMULA **C** : INDEPENDENT STUDENT With Dependent(s) Other Than A Spouse

REGULAR
WORKSHEET

C

STUDENT/SPOUSE INCOME IN 1997	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	50,150
2. a. Student's income earned from work (FAFSA/SAR #55)	5,000
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+ 45,000
Total student/spouse income earned from work = 2.	50,000
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) *	50,150
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	
• Social Security benefits (FAFSA/SAR #58)	+
• AFDC/ADC (FAFSA/SAR #59)	+
• Child support received (FAFSA/SAR #60)	+
• Other untaxed income (FAFSA/SAR #61)	+
Total untaxed income and benefits = 4.	0
5. Taxable and untaxed income (sum of line 3 and line 4)	50,150
6. Exclusions (FAFSA/SAR #62)	- 0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	= 50,150

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.	4,600
9. State and other tax allowance (Table C1. If negative, enter zero.)	+ 3,511
10. Student's Social Security tax (Table C2)	+ 383
11. Spouse's Social Security tax (Table C2)	+ 3,443
12. Income protection allowance (Table C3)	+ 18,510
13. Employment expense allowance:	
• Student and spouse both working: 35% of the lesser of the earned incomes, or \$2,800, whichever is less.	
• One-parent families: 35% of earned income, or \$2,800, whichever is less)	
• Student or spouse working (not both): zero	+ 1,750
14. TOTAL ALLOWANCES	= 32,197

AVAILABLE INCOME	
Total income (from line 7)	50,150
Total allowances (from line 14)	- 32,197
15. AVAILABLE INCOME (AI) May be a negative number.	= 17,953

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS	
16. Cash, savings, & checking (FAFSA/SAR #75)	3,000
17. Other real estate & investments value ** (FAFSA/SAR #76)	
Other real estate & investments debt ** (FAFSA/SAR #77)	-
Net worth of real estate & investments If negative, enter zero.	= 17. 0
18. Business value ** (FAFSA/SAR #78)	
Business debt ** (FAFSA/SAR #79)	-
Net worth of business If negative, enter zero	= 18.
19. Investment farm value ** (FAFSA/SAR #80)	
Investment farm debt ** (FAFSA/SAR #81)	-
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.
20. Net worth of business/farm (sum of lines 18 and 19)	
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+
22. Net worth (sum of lines 16, 17, and 21)	= 3,000
23. Asset protection allowance (Table C5)	- 7,300
24. Discretionary net worth (line 22 minus line 23)	= -4,300
25. Asset conversion rate	X .12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	= 0

EXPECTED FAMILY CONTRIBUTION	
Available income (AI) (from line 15)	17,953
Contribution from assets (from line 26)	+ 0
27. Adjusted available income (AAI) May be a negative number	= 17,953
28. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.)	4,430
29. Number in college in 1998-99 (FAFSA/SAR #45)	÷ 1
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	= 4,430

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

* STOP HERE if both of the following are true: line 3 is \$12,000 or less, and the student & spouse are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040, or they are not required to file any income tax return)—the student's EFC is zero.